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PP RUEHAG RUEHAST RUEHDA RUEHDBU RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA
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FM AMEMBASSY REYKJAVIK

TO RUEHC/SECSTATE WASHDC PRIORITY 4160

INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RUCNDT/USMISSION USUN NEW YORK PRIORITY 0102

UNCLAS SECTION 01 OF 02 REYKJAVIK 000158

SIPDIS

STATE FOR EUR/NB

NSC FOR HOVENIER

IO/UNP FOR SUN

EUR/PGI FOR ELDRIGE

EUR/RPM FOR WILTON

USUN FOR DUGAN

TREASURY FOR MEYER

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [ECON](#) [UNGA](#) [NATO](#) [IC](#) [AF](#) [UK](#) [NL](#)

SUBJECT: ICELANDIC FOREIGN MINISTER'S MEETING WITH CHARGE

FOCUSES ON UNGA, ICESAVE, NATO

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CANCEL AND FILE MESSAGE WILL BE RESENT

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16. (C) Skarphedinsson also spoke about defense issues including the closure of the Icelandic Defense Agency (IDA). Acknowledging the government's focus on Icesave, he nevertheless expressed optimism that a decision on IDA's future would come by year end. Some of the IDA's duties would likely transfer to the Coast Guard, which falls under the Ministry of Justice. He hoped, however, that most defense matters would remain with the MFA. He stressed that, no matter how the reorganization turns out, Iceland will continue to uphold its NATO obligations. When speaking of NATO commitments, the minister specifically stated that Iceland intends to take part in the Northern Viking exercise in 2010. (Comment. This information contradicts rumors we heard earlier that Iceland was considering postponing next year's Northern Viking exercise as a cost-saving measure. End comment.)

17. (C) The Minister said that Iceland also remains committed to the effort in Afghanistan. He said that, while he personally has concerns about the prospects for the war in Afghanistan, the Icelandic government understands its responsibility to contribute as a NATO member. Iceland has no intention, he said, of completely withdrawing its personnel from Afghanistan and has never even discussed it as an option.

18. (C) Noting the occasional activity of Russian planes in Iceland's air space, Skarphedinsson said he could not overstate the importance of the High North. The Russians, he claimed, have specifically stated that the High North is a top strategic priority. Skarphedinsson then, bluntly, used the High North discussion as an opportunity to chastise the U.S. for closing down the Keflavik Airbase in Iceland. The decision, he said, was "a bloody mistake." He noted that he understood the reasoning behind the decision and the need to reduce costs, but believes that the U.S. should have

maintained some sort of presence in Iceland to protect its interests in the High North.

EU Accession Process

19. (C) Regarding Iceland's bid to join the EU, Skarphedinsson said that everything is progressing smoothly. Iceland should have answers for the EU accession questionnaire by the EU's November 16 deadline. Skarphedinsson believes that this deadline was intentionally set to ensure that Iceland's candidacy cannot be evaluated at December's European Council summit. Delaying consideration until spring would avoid the perception that Iceland's membership is fast-tracked at the expense of other candidates. The most likely scenario, he opined, is that Iceland's membership application would be discussed at the March summit of the European Council and that accession negotiations will begin soon afterwards.

WATSON